

# The IR Journal

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## New Service to be Offered- Control Self-Assessment

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### *Control Self-Assessment - A Risk-Based Approach*

A Process Action Team (PAT) was chartered in October to investigate the possibility of offering Control Self-Assessment (CSA) services throughout the Army's Internal Review community. The PAT, under the leadership of Mr. John Templeton, IR Director, USACE, met in North Carolina during the period 29 November through 2 December 1999. PAT members were Mr. Frank Bono, USAR; Mr. Walt Morrison, NGB; Mr. Bob Barnhart, SAFM-FOI; Mr. Mike Petty, SAFM-FOI; and Mr. Tim Garibaldi, VTNG. The PAT was also supported by a contractor - Mr. Joseph Takus, CPA

The PAT strongly supports the use of CSA within the Army to support local commands in assessing control risks as a consulting effort. Even more important will be the practitioner's ability to use CSA as a risk-based audit technique/approach. The PAT developed policy and guidance that, upon completion of staffing, will be forwarded to SAFM-FOI for consideration and implementation. The PAT will also put together a comprehensive CSA training package that will be presented as a breakout track at the 2000 IR Training Symposium in August 2000.

Results of the PAT are currently being staffed throughout the IR community. Publication should take place in early February.

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### *GAO Issues New Internal Control Standards*

In November 1999, GAO issued their *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1). It brings their guidance in line with changes made to the Office of Management and Budget (OMB) Circular A-123 (June 21, 1995) and incorporates policies and guidance connected with the Government Performance and Results Act (GPRA) of 1993, the Chief Financial Officers Act of 1990, and the Federal Financial Management

Improvement Act of 1996. It also includes updated internal control guidance related to modern computer systems and incorporates the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

The number of internal control standards changes from 12 to 5 but it is more of a change in presentation than a change in the controls themselves. We recommend IR offices review the document and provide a briefing to their customers. You can view/download a copy of the new standards at [www.gao.gov/special.pubs/ai00021p.pdf](http://www.gao.gov/special.pubs/ai00021p.pdf).

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*"It's the start that stop most people."*

- - Author Unknown

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## *New Director Awaited*

If you've been away recently, you may not know that **Ms. Karen K. Wolff**, Director, Financial Reporting and Internal Review, left the Army for bigger and better things with the Office of the Under Secretary of Defense – Comptroller (OUSD-C). Karen's move to the OUSD-C Accounting Policy Directorate was effective 24 October 1999. Appropriately, her last official act was attending the quarterly IR Chiefs' luncheon she initiated. The luncheon was particularly special because her mother and father, visiting from Missouri, were able to attend. **Mr. Ernest Gregory**, Deputy Assistant Secretary of the Army (Financial Operations) was on-hand also. Karen received a distinctive plaque from the Internal Review Steering Group thanking her for her endeavors on behalf of the Army's IR Program. The plaque was presented by the Group's chairman, **Mr. John Templeton**, IR Director, USACE. Mr. Templeton also presented her with a token of appreciation from the Corps of Engineers as did NGB (**Mr. Walt Morrison**), USASOC (Mr. Gregory presented on behalf of the USASOC Commander), and Walter Reed Medical Center (**Mr. Jim Clevon**).

**Mr. Bill Harris** will be the Acting Director, Financial Reporting and Internal Review, until the position is permanently filled.

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*"I speak on behalf of every person who has ever attempted to put a Christmas tree into a Christmas-tree stand, only to wind up on the floor, covered with sap and thousands of pine-needle stab marks: The Christmas tree is the most vicious predator in the entire tree kingdom. You know how sometimes hikers disappear in the forest, and their decomposed bodies are found months later, and the authorities blame it on "exposure"? Exposure to what? I'll tell you what: Christmas trees."*

- - Dave Barry

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## *Happy Holidays from SAFM-FOI!*

# *Inclusion Auditing*

By the Internal Review Office, Alaska National Guard

The basic function of all audits, whether issued by public, private, or DOD agencies, is to provide a basis of evaluation and measurement of compliance against a standard. The challenge before us as internal review practitioners is to blur this similarity by creating audit products tailored specifically to our own individualized markets.

We spend a great deal of time acquainting ourselves with the activities we audit. Accordingly, as systems expand in complexity so will our learning and comprehension cycle increase in order to understand these structures. What we needed was a method of integrating both this complexity and understanding as part of the audit function. We asked, why not accelerate our learning curve by using combinations of on-the-job and hands-on-training in the familiarization process? The idea of using an inclusion approach to auditing developed using this simple concept. In effect, the auditor teams up with personnel from the activity under review to create a mutually shared responsibility for the audit.

We used IA initially on the Property Book Operations (PBO). As this was an area unfamiliar to those assigned to perform the study; we made IA a part of the audit plan of action. The assigned auditor spent 4 days “shadowing” the Property Book personnel while assisting in everyday operations. Together they identified transactions, generated reports, and turned in equipment. The auditor observed firsthand where the system worked well and where it did not, where bottlenecks in the system existed and where “that’s the way we always did it” needed improvement. This gave the auditor valuable experience and insight into potential problem areas. Recommendations now became tailor-made and in some instances, even road-tested by the auditor before implementation took place.

## **1. What is Inclusion Auditing?**

The integration of on-the-job learning, hands-on-training, auditing, and rapport building skills yields the product known as inclusion auditing. Inclusion auditing uses all of our existing accounting, auditing, analysis and investigative skills. However, most critical is our ability to build trust and rapport immediately. The IA approach is designed to look beyond the numbers and deal with the audit reality of the situation, in effect, by creating a mutually shared responsibility for the audit.

## **2. What would be a typical approach to an inclusion audit assignment?**

While each inclusion auditing assignment is unique, the actual methodology adopted and procedures performed would be very specific to it. In general however, most inclusion auditing assignments would include the following steps:

***Meet with the client.***

It is always important to meet with our client to obtain an understanding of the important facts and issues at hand.

***Perform a logic check.***

Does the audit assignment lend itself to an inclusion type approach? Perhaps a segment of the audit could use IA.

***Perform a presurvey.***

It is often useful to carry out a preliminary survey before the development of the detailed audit plan of action. The planning is based upon a more complete understanding of the issues. It also allows us to pinpoint where the auditor is going to be the most useful within the area under audit.

***Develop an Audit Plan of Action.***

This plan will take into account the knowledge gained through the meeting with the client and the presurvey activities. It will also establish the objectives to be achieved and the methodology of accomplishing them. It also determines what level of auditor involvement will be required in order to learn, understand, and perform the activity itself.

***Identify and obtain the relevant evidence.***

This can be very successful if done jointly between auditor and auditee.

***Perform the analysis.***

Central to the analysis is the identification of recommendations developed jointly by the auditee and auditor.

***Prepare the report.***

Allow the client opportunity to cosign the final product as a member of the audit management team.

**3. What inclusion auditing is not.**

A substitute for management decision making or team building.

A training tool for beginning auditors.

A tool used by inexperienced or unsupervised auditors.

Designing, installing or running systems.

The drafting of procedures for systems.

#### **4. What is the difference between IA and participatory auditing?**

With inclusion auditing the auditor develops and retains control over the audit objectives. Where in other forms of participatory auditing the auditee is allowed a greater influence in the development and management of the audit objectives.

Distinguishing the difference between audit products is sometimes difficult for our users. However, our clients and customers all know good (and bad) service when they receive it. The goal is to develop significant distinctions that will differentiate our audit service from that of the competition. It will be these subtle differences that continue to keep our clients and customers ours.

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*"Good enough never is."*

- - Debbie Fields, Founder, Mrs. Fields Cookies

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## *What's New Department*

Please note that AuditNet.com has changed its address to -  
<http://www.auditnet.org/karl.htm>

Here are some of the most recent additions and changes to Kaplan's AuditNet Resource List (KARL).

**ACD Call Center Online Learning Center** (<http://www.call-centers.org/>) Web site resources for reviewing call centers including benchmark statistics and best practices.

**ExpertChoice** (<http://www.expertchoice.com/>) Web site for a vendor of decision support software. Site provides information about their products, downloadable trial versions, support, success stories and more.

**Federal Audit Clearinghouse** (<http://harvester.census.gov/sac/>) website provides access to the FAC database containing information on Office of Management and Budget (OMB) Circular A-133 audits and two templates for Form SF-SAC. Plans include access to a Single Audit Reference Library and to an online submission process for Form SF-SAC.

**Security-Focus** (<http://www.securityfocus.com>) Web site is designed to facilitate discussion on security related topics, create security awareness, and to provide the Internet's largest and most comprehensive database of security knowledge and resources to the public. Resources include free tools, a library, industry and security news, forums (Security, Jobs, etc.) and more.

**Security Search Engine** (<http://www.securitysearch.net>) Security Search is a Search Engine designed to provide Internet users with links to IT security information and resources.

**Security Information Management Online** (<http://www.simon-net.com/>) Simon contains links to security news, access controls, and a directory of security resources.

**Treasury Inspector General for Tax Administration**

(<http://www.treas.gov/tigta/>) Web site provides audit reports, annual audit and strategic plans.

**VA OIG Internal Peer Review Program** (<http://www.va.gov/oig/52/peer/ipr.htm>) from the Department of Veteran's Affairs. The Office of Audit's Internal Peer Review (IPR) guide for internal quality control provides a means to assess conformance to the Comptroller General's Government Auditing Standards (GAS) and Office of Audit directives.

**Y2K Contingency Planning Guidelines**

([http://www.mitre.org/research/y2k/docs/CONTINGENCY\\_GUIDELINES.html](http://www.mitre.org/research/y2k/docs/CONTINGENCY_GUIDELINES.html)) is an excellent document for business continuity planning.

**Y2K Portal Page** (<http://www.microsoft.com/y2k/>) from Microsoft provides in depth Year 2000 information for both the IT Professional and the home computer user.

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*"Be so good they can't ignore you."*

- - Jerry Dunn (Editor), *Tricks of the Trade*, Houghton Mifflin

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## ***Telephone Repair Warning***

### **DIAL 90#!**

This is a telephone scam that seems to occur frequently. Don't let it happen to you!

**HOW THE SCAM WORKS:** You or a member of your family will receive a telephone call from an individual identifying himself as an AT&T Service Technician who is running a test on your telephone line. He states that to complete the test he will need you to touch nine (9), zero (0), pound sign (#) and hang up. Pushing 90# gives the individual on the other end access to your telephone line and allows him to place a long distance telephone call, with the charges appearing on your telephone bill. Many of these scams are originating from local jails/prisons.

Please ensure that all friends, neighbors and members of your household are made aware of this scam.

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*"Working together works."*

- - Source Unknown

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## True or False?

*Chop suey is a well-known traditional Chinese dish that dates back centuries?*

(Answer on Page 14)

*"I put instant coffee in a microwave oven and almost went back in time."*

- - Steven Wright

## The Training Corner

*by Ms. Michelle Doyle*

Army Audit Agency Training Branch just advised us that the Advanced Audit Techniques Course scheduled for 17-21 April 2000 has been moved to 10-14 April 2000. Course will be held in Timonium, Maryland. Quotas were assigned as follows:

AMC	3	TRADOC	3
COE	2	USAR	5
DAMO-ZQ	1	USARPAC	2
FORSCOM	1	USARSO	2
MEDCOM	1	USASOC	2
NGB	6	USMA	1
SMDC 1			

Please forward student registration forms to Michelle Doyle, SAFM-FOI, NLT 60 days (9 February 2000) prior to class start date.

## FY 00 IR Training Program Schedule

<u>SCHOOL</u>	<u>COURSE DATE</u>	<u>LOCATION</u>	<u>QUOTAS</u>
<b>Audit Process - Basic Course</b>	<b>24 Jan - 4 Feb 00</b>	<b>Fayetteville / Fort Bragg, NC</b>	<b>24</b>
	<b>5-16 Jun 00</b>	<b>"</b>	<b>25</b>
<b>Intermediate Auditor</b>	<b>28 Feb-3 Mar 00</b>	<b>TBD</b>	<b>28</b>
	<b>10-14 Jul 00</b>	<b>TBD</b>	<b>27</b>
<b>Senior Auditor</b>	<b>24-28 Apr 00</b>	<b>TBD</b>	<b>22</b>
	<b>7-11 Aug 00</b>	<b>TBD</b>	<b>22</b>

<u>SCHOOL</u>	<u>COURSE DATE</u>	<u>LOCATION</u>	<u>QUOTAS</u>
<b>Audit Process- Advanced Course 1/</b>	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>
<b>Supervising/Managing The Audit 1/</b>	<b>28 Aug-1 Sep 00</b>	<b>TBD</b>	<b>TBD</b>
<b>Audit Leadership Course</b>	<b>6-10 Dec 99</b>	<b>March ARB, CA</b>	<b>5</b>
	<b>28 Feb-3 Mar 00</b>	<b>"</b>	<b>6</b>
	<b>10-14 Apr 00</b>	<b>"</b>	<b>6</b>
	<b>7-11 Aug 00</b>	<b>"</b>	<b>6</b>
<b>Advanced Audit Techniques</b>	<b>10-14 Apr 00</b>	<b>Timonium, MD</b>	<b>30</b>
<b>Basic Communications</b>	<b>20-24 Mar 00</b>	<b>TBD</b>	<b>14</b>
	<b>8-12 May 00</b>	<b>TBD</b>	<b>14</b>
<b>Advanced Communications</b>	<b>24-28 Jul 00</b>	<b>TBD</b>	<b>14</b>
<b>Fraud Training</b>	<b>10-12 Jan 00</b>	<b>Ramstein, GE</b>	<b>12</b>
	<b>11-13 Apr 00</b>	<b>Offut AFB, NE</b>	<b>26</b>
	<b>2-4 May 00</b>	<b>Hanscom AFB, MA</b>	<b>26</b>
<b>Instructor Training</b>	<b>1-4 Nov 99</b>	<b>Timonium, MD</b>	<b>5</b>

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"In America any boy may become President and I suppose it's just one of the risks he takes."

- - Adlai Stevenson

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## ***Yuma Proving Ground Gets Superior Rating***

**Source: OUTPOST, October 18, 1999 (YPG's Newspaper)**

"The Internal Review (IR) Office received its second consecutive "superior" rating in a TECOM (U.S. Army Test and Evaluation Command) quality assurance review this summer! The Test and

Published by ASA (FM&C) December 1999



Evaluation Command has been redesignated as the Developmental Test Command October 1<sup>st</sup> of this year.

In late September, U.S. Army Yuma Proving Ground's Internal Review and Audit Compliance Office underwent a Quality Assurance (QA) Review conducted by the former TECOM IR Office. The purpose of the QA review was to evaluate the effectiveness and efficiency of Yuma Proving Ground IR operations, and compliance with U.S. General Accounting Office (GAO) auditing standards and applicable Department of the Army, U.S. Army Materiel Command and TECOM directives. QA Reviews take place once every three years. In FY 99, YPG's IR Office was the only TECOM Test Center IR Office to receive the most prestigious and highest QA rating, "superior".

The QA Review, conducted by John Ourednik, TECOM Audit Manager, examined such aspects of auditing as audit planning and reporting, audit processes, working papers, training, staffing, placement, impairments, management controls, audit compliance, external audit liaison. Other IR services such as quick response audits and consulting and advisory services have been outstanding.

"The YPG IR Office is doing a superior job," said Ourednik. "Products provided significant value added to command operations. There is a good rapport between the IR Office and other YPG activities. The commander and YPG directors fully appreciate the value of the internal review function as a useful resource and work closely with the IR Office. The IR Office is very responsive to the needs of the YPG commander and directors."

This is the second consecutive superior rating that the YPG IR Office has received for the once every three year QA Review. Bill Doyle, Chief of Internal Review, stated that this rating could not have been achieved without the outstanding support and direction from the command group, the expert guidance from the TECOM IR Office, and the extraordinary cooperation received from the managers and employees."

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*"Martyrdom is the only way a person can become famous without ability."*

*- - George Bernard Shaw*

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## *IR Roundup*

### **Awards –**

- **Mr. Bill Doyle**, Chief of Internal Review, was presented with the Commander's Award for Civilian Service during a recent award ceremony. **Col. Robert Filbey**, Yuma Proving Ground (YPG) commander, presented Mr. Doyle the award for meritorious service and consummate professional performance while serving as Chief of Internal Review and

Audit Compliance Office. Mr. Doyle's exceptional technical ability allowed him to present, implement, pursue, and achieve internal review program operations within the YPG staff and test operations while maintaining excellent working relationships with management and employees. Mr. Doyle's effectiveness and efficiency were cited during a TECOM Headquarters quality assurance review for "doing a superior job."

- **Messrs. Dieter Adlwarth and Phil Smith**, of the 21st Theater Support Command (Provisional), Kaiserslautern, Germany, were recently recognized for their exceptional work. Each received kudos as well as a performance award. Keep up the good teamwork!
- **Mr. John Ourednik**, audit manager U.S. Army Garrison, Aberdeen Proving Ground, retired on 3 November 1999 after 34 years of exemplary service.
- Everyone in the **U.S. Army Garrison, Aberdeen Proving Ground IRAC Office** received an AMC two-star coin and a cash award for superior service provided to the Garrison, U.S. Army Developmental Test Command, and AMC in support of a 15-6 Investigation.
- Everyone in the **U.S. Army Garrison, Aberdeen Proving Ground IRAC Office** also received an AMC four-star coin and note from the AMC CG for superior initiative and technical competence that resulted in potential monetary benefits in excess of \$38 million.
- CECOM IRAC completed seven audit engagements during the year to help CECOM and the PEO for Intelligence, Electronic Warfare and Sensors, ensure that their weapon systems, business systems, infrastructure and facilities were Y2K compliant. CECOM IRAC also provided the CECOM Y2K Project Manager with consulting services on Y2K contingency planning and audit liaison services for 12 external audits and nine AMC spot checks. CECOM's IRAC's own, **Mr. Joseph Galanthay**, provided audit assistance as a member of the AMC Business Systems Task Force for Y2K spot checks. Mr. Galanthay served the task force on three occasions and was nominated by the AMC Lead for Business Systems for an AMC Special Act Award for his outstanding contributions to AMC.
- Two CECOM IRAC employees, **Mr. William J. Hemberger**, Chief, and **Mr. Joseph Galanthay**, auditor, reached milestones in their careers as both were awarded 30-year pins recently.
- **Messrs. William J. Hemberger, John Cunion, Dennis Boreen and John Riley**, CECOM IRAC all received Performance Awards in conjunction with their annual appraisals.

## Promotions –

- It is with great pleasure that we pass on to you that Mr. Dave Murawski, CECOM IRAC, has been selected for the Chief's position at ARDEC (Picatinny). Dave has been one of the leading auditors within the AMC IRAC community. Way to go Dave!
- Effective 21 November 1999, **Ms. Marian Hodge** was temporarily promoted to GS-13 audit manager at the U.S. Army Garrison, Aberdeen Proving Ground.

- **Mr. Robert Mabray**, GS-12, McAlester Army Ammunition Plant, was selected as IRAC Chief effective 24 Oct 99. Robert has been acting chief since Jun 99 following the transfer of **Mr. George Sadler** to the Defense Ammunition Center and School. Robert previously worked in the MCAAP Budget Office.

## Professionalizing -

- Congratulation to **Ms. Michelle Pritchard**, U.S. Military Academy, West Point, for passing the Certified Fraud Examiner Examination. She's now been awarded her designation as a Certified Fraud Examiner.
- A hearty "Atta Girl" also goes out to **Ms. Barbara Carlson**, U.S. Military Academy, West Point, who recently received her MBA.

## Hail/Farewell -

- The USAR Internal Review and Management Control Process Office welcomes **Mr. Bill Collins** as the Deputy Director, Liaison, MSC Program Management, and Management Control Process. Bill reports for duty on 16 January 1999. Until then Bill will be trying to memorize his new title.
- On 5 December 1999, **Mr. Jeff Gladden**, HQFORSCOM Internal Review, reported to work for the Veterans' Affairs, New Orleans, Louisiana, as a fiscal accountant with the accounting branch of the New Orleans VA Hospital. Mr. Gladden was employed by HQFORSCOM since February 1989.
- The Army Signal Command Internal Review office welcomed a new auditor on 8 November 1999. **Mr. Richard Hermida** arrived from his prior duty station, Watervliet Arsenal to the sunny Southwest.
- **Ms. Karin Ose-Hathcock** joined HQ USAREUR IRACO effective 1 October 1999. Karin, now living near Heidelberg, Germany, comes to us from private industry. She's had a wide and diverse range of accounting, consulting, and auditing experience with a number of organizations including Arthur Anderson in Cairo, Egypt; USAID (also Cairo, Egypt); Don Richards Associates, a Washington, DC consulting firm; Dayton (Ohio) Power and Light; Merchants National Bank; and the U.S. Air Force. We welcome Karen to the Army Internal Review Community.
- The newest staff member at HQ FORSCOM IR is **Ms. Marge Williams**. Marge is our new audit technician and will be taking over the responsibilities for coordinating external audit visits, maintaining our audit database, and other administrative functions in the program management arena.
- It is with sad regret that we announce the passing of CW4 (ret) **Robert Mankowski**. Bob had over 35 years of service in the CTARNG serving in a variety of supply and administrative positions. Bob came to Internal Review in 1987 and became the chief 1993. Bob retired from the technician force in Dec 1994 but continued to drill with us for 3 more years, retiring from the military in May 1998. Bob's vision and hard work formed

the basis for the strong program we have today in the Connecticut National Guard. His friends and compatriots will sorely miss him.

- Recent reshape actions within the Headquarters Industrial Operations Command (IOC) generated numerous changes for the IOC Internal Review and Audit Compliance Team:
  - **Mr. Steve Daley**, GS-12 auditor took an early retirement effective 3 Sep 99. Steve, at the ripe old age of 49, left under VERA authority after 27 years and 2 months Government service.
  - **Mr. Frank Arguello**, GS-12 on temporary assignment, returned to the Defense Megacenters-Rock Island on 3 Jul 99. Frank provided the team's support to in-process A-76 actions within the Command.
  - **Ms. Denise Gonzalez**, GS-12 on temporary assignment, returned to her "home" in the Rock Island Arsenal IRAC on 9 Oct 99. Denise assisted Frank in evaluating A-76 actions.
  - **Ms. Ruby Price**, GS-12, and **Ms. Betty Dickson** joined our team 10 Oct 99. They previously served as accountants on the IOC Resource Management Center Fund Control and Compliance Team.
- **Mr. Richard Hermida**, GS-12, Chief, Watervliet Arsenal Internal Review Office transferred to the Army Signal Command, Ft. Huachuca, Arizona, IRAC effective 7 Nov 99.

## Vacancies –

- The 22nd Area Support Group (ASG), a subordinate command of U.S. Army, Europe, located at Vicenza, Italy, is recruiting for a GS-0511-12 auditor to serve as Chief, IRACO. Candidates interested in a lateral transfer may apply directly to the 22nd ASG by forwarding a resume, SF-171, or DA Form 2302, along with a copy of their most recent SF-50 and Senior System Civilian Evaluation Report to:
 

HQ, 22nd Area Support Group  
ATTN: DCO  
Unit 31201, Box 80  
APO AE 09630

## Personals –

- **Mr. Bill Check**, IR Director, CFSC, has been undergoing treatment for Hodgkin's disease. We're very glad to provide you some good information in Bill's own words - "This is my last med/update of the 20th century!  
 Yesterday (9Nov99) my oncologist told me the results of my latest CT scan after 6 months of chemotherapy for Hodgkin's disease. Doc said the results are excellent. There is no evidence of significant adenopathy (enlarged nodes) in the chest, abdomen or pelvis. However some tiny nodes remain unchanged (doc said don't worry about that now.hmm).

All related internal organs are clear. The plan now is to get another CT scan in 2 months (Jan 00) to see if any changes occur. So for now no more chemo or any drugs, etc!

If the next scan is ok, then I return for more scans every 4 months for a year, then every 6 months for another year, then annually for 3 years. The bottom line is that patients are not declared in remission for 5 years. If the lymph nodes enlarge again then I will get some different chemo drugs... So it is a day at a time.

I am cautiously optimistic. I thank God and all of you for your continuous support.

bc"

- Congratulations go out to **Bob and Lana Kanik** on the birth of their son **Marcus**. Marcus was born on 28 October 1999 and tipped the scales at 8 pounds, 12 ounces.
- **WANTED:** Jack Russell Terrier, last seen at the Beau Rivage Golf Course with **Mr. John Templeton's** orange balata golf ball in it's mouth, heading home at a high rate of speed. It wasn't the first time John's lost one off the tee, just the most humorous!

## Organization Changes –

- Effective 1 October 1999, the **U.S. Army Garrison, Aberdeen Proving Ground** reports to the **U.S. Army Soldier and Biological Chemical Command**.
- Effective 3 Dec 99, operational control of the **Pine Bluff Arsenal** transferred to the **U.S. Army Soldier And Chemical And Biological Defense Command (SBCCOM)**.

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*"Heavier-than-air flying machines are impossible."*

-- Lord Kelvin, president, Royal Society, 1895.

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## True or False?

(Answer from Page 7)

### False!

"Chop suey is not a native Chinese dish. It is said to have originated in a California mining camp when the Chinese cook simply threw together what he had left over and called it "chop suey," a phonetic transliteration of the Mandarin *tsa sui*, which means something like "various things." In other words, chop suey was simply a sort of Oriental mulligan stew. In any case, it did not originate in China."

(Source: *The Dictionary of Misinformation*, by Tom Burnam, Thomas Y. Crowell Co., NY)

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*"Airplanes are interesting toys but of no military value."*

-- Marechal Ferdinand Foch, Professor of Strategy, Ecole Superieure de Guerre.

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# ***Fraud!!!!!!!!!!***

**By Mr. Frank Bono, IR Director, USAR**

I represent the Army IR community on the Association of Certified Fraud Examiners (ACFE) Governmental Fraud Committee. We did a survey to determine the areas that the committee should address. Here are the results in priority order.

- \* Promoting local fraud policy
  - \* Developing a Governmental Fraud Training Guide
  - \* Developing a governmental fraud web site through the ACFE
  - \* Changing regulations and laws which weaken the system and allow fraud to be committed more readily
  - \* Deterring/studying employee fraud and employee theft
  - \* Focusing on fraud committed by government against government
  - \* Focusing on political corruption
  - \* Focusing on fraud between suppliers and management
  - \* Researching fraud defined beyond the definition (private sector vs. public sector)
- I'll keep you advised of the work of the committee.

Talking about fraud, I hope you have seen the article entitled "*One Members View*" in the November/December 1999 edition of the ACFE's The White Paper. It discusses a 1998 survey of 511 (is this a coincidence?) of randomly selected higher education programs to gather methods of teaching fraud examination. On a 5-point scale (5 = extremely important), the top two fraud related topics were: auditors' responsibilities in detecting fraud was ranked 4.57; and internal controls as a preventive/detective measure against fraud was ranked 4.48.

Finally, the July/August 1999 edition of The White Paper has an excellent article titled "*Identify Theft*." It discusses how fraud artists sweep up personal information, take on the personas of victims and steal money from their accounts, and rack up bills in their names. Suggest you put on your "white hat" and share this information within your command.

What are the most important attributes for future leaders? According to a recent survey of the Senior Executive Service by the Price Waterhouse Coopers Endowment for the Business of Government, the top three are: adaptability, accountability, and vision. The least important was technical expertise. Do you possess the characteristics to be a future leader? If you want more information this topic, I suggest the article entitled "*What CFOs Want*" in the July 1999 edition of CFO. According to this article, financial expertise, personal integrity, communication skills, strategic vision, and experience are the five skills and qualities most important to CFOs. Closer to home, the U.S. Army Command and General Staff College's May/June 1999 Military Review has several articles on leadership doctrine, leadership development, and operational leadership. Finally, here is a article entitled "*Mastering Career Strategies*" from the June 1999 edition of Beyond Computing. <<mastering.doc>>

Are you a leading edge IR organization? According to John J. Fernandes, CIA, CCSA, IIA Chief Operating Officer and Audit Committee Chairman for Bon Secours Health System, *"Leading-edge internal auditing departments now partner with management, external auditors, and even regulators to form strategic alliances to identify, assess, manage, and monitor risks and become valued components of their organization's corporate governance process."*

The IIA's new definition for Internal Auditing follows.

*"Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control, and governance processes."*

This new definition recognizes that corporate governance has taken on added significance and that controls exist to help manage risk. By recognizing these factors, internal auditing is given the visibility to be a critical resource to senior management. Internal auditors must demonstrate that they are equipped to provide quality service by aiding management in identifying risks and providing assurance about the effectiveness of the control structure. Characteristics that make internal auditing such a unique profession are: flexible, knowledgeable, proactive, fair, well-trained, and good informal working relationships with clients.

How successful are you in demonstrating your value to your senior management? According to Joel F. Kramer, Managing Director, Internal Audit Division, Management Information Systems (MIS) Institute, value added means helping the business (or organization) meet its business plans; assisting process teams, such as Y2K, meet its goals; and most of all, helping the entire organization meet its goals.

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## PUZZLES WE'VE SEEN

Decipher the hidden meaning in this set of letters -

LOVE  
SIGHT SIGHT SIGHT

*Answer to September's Puzzle -*  
**Gross Injustice**

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# *A New World Order*

Submitted by Ms. Anita Boris, IR Chief, MDNG

## **Quotable: LaChance on Future of Federal Work**

"At OPM, we have been anticipating the specific nature of work and the work force of the 21st century . . . We already see the trends for the next millennium. And the theme is 'Adapt or Be Pushed Aside.' So organizations will have to become more diverse and flexible -- they will no longer be able to do everything themselves, but will distribute work across a group of sources or a group of suppliers. Organizations will no longer have a permanent work force, or even a temporary work force, instead they will have what I call a "situational work force." Needed work will be done by a blend of core employees in cross-functional teams and by temporary employees, consultants, and contractors, as necessary. Full-time, lifelong jobs and job descriptions are already disappearing, and instead, employees are increasingly being called upon to be generalists -- omnivores in the new world order, with the tools to survive and flourish at many different tasks and in many different environments. Fewer jobs will fit into a neat job description. And our core government employees will be called upon to perform one role today and another tomorrow." (From a recent speech by Office of Personnel Management director Ms. Janice LaChance)

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"The significant problems we face today cannot be solved by the same level of thinking we were at when we created them."

**Albert Einstein**

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## **Management Control Corner**

*By*

*Mr. Mike Petty, Program Manager for Management Control*

We are extremely pleased to have a "Guest" article this quarter. BG Mitchell M. Zais, Chief of Staff, U.S. Army Reserve Command submitted the following article to us. General Zais' educational and leadership background give him a unique perspective of the Army's Management Control Process and how it can be used to effectively and efficiently achieve organizational objectives.

This article stems from General Zais' address to the 1999 First U.S. Army Reserve Management Control Process Professional Development Conference conducted in Atlanta, Georgia.

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## **"Managing Army Reserve Resources - Together"**

By Brigadier General Mitchell M. Zais

Good Morning.

Welcome to Atlanta and the "first" Army Reserve Management Control Process Professional Development Conference. I am pleased to be here to open your conference. I want to personally thank Mr. Petty, the Program Manager for Management Control, Office of the Assistant Secretary of the Army, Financial Management and Comptroller, for spending his weekend here with us. I want you to know that I have an affinity for internal review and management controls. I studied organizational behavior in graduate school. I have a Ph.D. in organizational behavior and social psychology. I taught courses on leadership and management consulting at West Point. In addition, I am constantly studying how and why organizations, particularly military organizations, succeed or fail.

I think you will find the next 2 days of this conference a valuable learning experience -- both for you and for the Army Reserve Internal Review and Management Control Process staff.

The theme of this conference is "Managing Army Reserve Resources - Together." The Army Reserve management control process plays an important role in managing our resources.

I am aware that the Army's management control process is a statutory requirement. The program is mandated by the Federal Managers' Financial Integrity Act passed by Congress in 1982.

I also understand the key elements of the Army's management control *process*.

**Key management controls** are the first element of the process. These key controls are identified by the Army Staff and supplemented by local commanders. The second and third elements are, in my mind, the most critical. They are you, the *management control administrator*, and your boss, the *assessable unit manager*.

The fourth element of the management control process is the *5-year plan*. This plan establishes what controls will be evaluated, by whom, how often, and how.

The fifth element is *management control evaluations*. Evaluations are the actual testing of controls, and the documentation of these tests.

The next element of the management control process is *management control weaknesses*. Management control weaknesses are controls that are not in place or working as intended and the associated corrective action plans.

The final, and seventh, element of the Army's management control process is *annual statements of assurance*. These are the statements that certify controls are in place and working as intended. These assurance statements are sent by your boss, that is, directors or staff chiefs, to their boss, the major subordinate command (MSC) commander. MSC commanders and the staffs of the Office of the Chief, Army Reserve (OCAR) and the U.S. Army Reserve Command (USARC) send assurance statements to General Plewes, either in his role as the Commanding General of the USARC or as the Chief of the Army Reserve. General Plewes provides assurance statements to both the Commanding General, U.S. Army Forces Command (FORSCOM) and the Secretary of the Army.

I am not going to dwell on these key elements of the Army's management control process because I know from the agenda that they are going to be discussed further during the next 2 days. Rather, I want to give you my perspective on the words - 'management' and 'controls'.

First, I believe each one of us is a manager. You know, from your undergraduate course Management 101 that you took has a sophomore, that there are *four basic functions of management*.

The first is *planning*. Planning proceeds all of the other functions because from plans flow organization, direction, and "control." Planning is an umbrella term that encompasses mission, objectives, goals, strategies, principles, policies, procedures, rules, standards, budgets, decision-making, and problem solving. Remember that the definition of controls includes all these terms to "ensure what should happen does happen on a continuous basis."

The second function of management is *organizing*. Organizing brings people and processes together to carry out plans and meet objectives. As you know, good organization is no guarantee of success. However, poor organization will almost inevitably bring about failure. Responsibility, authority, accountability, and delegation are all part of organizing. Delegation demands 'control,' and needs feedback, or evaluation, to show how delegated tasks are carried out.

The third function of management is *directing*. Directing entails moving resources towards objectives and goals. Successful direction depends upon the motivation of those directed. Motivation is the art of leadership, which I will talk about later.

The last function of management is *controlling*. Controlling is the process of making certain that directed actions are carried out as planned in order to achieve some desired objective or goal. Managers and commanders, not auditors, are responsible for establishing controls. Normally, auditors are responsible for evaluating the adequacy and effectiveness of these controls. However, under the Army's management control process, managers share this traditional audit responsibility. The function of controlling encompasses setting standards, comparing and evaluating actual results to standards, correcting deviations, and following-up.

These four functions of managers -- planning, organizing, directing, and controlling -- parallel the key elements of the Army's management control process.

The Army has a very simple management philosophy that is published in *Army Regulation 5-1, Army Management Philosophy*. It is "do the right things, the right way, for the right reasons; and constantly strive for improvement." This philosophy fits very nicely with one of the Army's seven values -- integrity. A person of integrity will do what is right, legally and morally.

In the context of this management philosophy, the Army discusses *management* as the process of acquiring, assigning priorities, allocating, and using resources in an effective and efficient manner. The Army also describes its management philosophy by discussing seven Total Army *precepts of management*.

The first precept is *top management leadership*. Earlier, when I was talking about the directing function of management, I mentioned leadership. Leadership is the process of influencing others to perform a task by providing purpose, direction, and motivation. Leadership includes setting and defining goals and giving purpose to the organization. Management is an essential part of leadership, and inextricably linked with leadership. A recent article, entitled "Manager versus Leader," appeared in the March 1999, *Business Finance*. In contrasting the two, it said:

- A manager does things right. A leader does the right things.
- A manager asks how and when. A leader asks what and why.
- A manager focuses on systems and structures. A leader focuses on people.
- A manager relies on control. A leader inspires trust.
- A manager accepts the status quo. A leader challenges the status quo.
- A manager maintains. A leader develops.
- A manager imitates. A leader originates.
- A manager keeps an eye on the bottom line. A leader keeps an eye on the horizon.

These important distinctions illustrate why management is a science while leadership is an art. They also help explain why superb leadership talent is so much rarer than exceptional management skills.

The second precept of management is to *satisfy or exceed customer requirements*. I urge you to know who your customers are, find out what they expect, and then meet if not exceed those expectations. What I am saying is you must achieve customer loyalty. Simply meeting customer expectations simply is not enough anymore. If you are not ready to go above and beyond for your customers, the competition undoubtedly is. One more comment on customer satisfaction. As you are aware, it is one of the more important areas of the seven evaluated areas of the Malcolm Baldrige Criteria for Performance Excellence. When I first was involved with the Malcolm Baldrige criteria, it was not clear to me who our customers were in a military organization. They are our soldiers and our subordinate units.

The third precept of management is *strategic planning*. I already talked about planning as one of the four functions of managers. The 5-year management control plan is a strategic plan. Here is where I believe the management control process ties in very nicely with the Government Performance and Results Act (GPRA) of 1994. Planning is also another one of the Malcolm Baldrige areas. And all successful organizations plan well -- from planning military operations to annual budgets, from a simple training plan to the Army's modernization plan.

Another precept of management is *training*. You are here today for training on the Army Reserve's management control process. It is important that you stay abreast of current events in your areas of expertise, and periodically refresh yourself with the fundamentals of your profession, duties, and responsibilities. Recurring, periodic training is one of the most consistent features of effective organizations and forms the basis for what most tactical military units do year round.

*Recognition and reward* is the fifth precept of management. Five very important words are: "you did a good job." How many times do we waste opportunities to say these words to our subordinates, or our members of our own family? Remember the Army value of respect -- "treat people as they should be treated." Treat people as you want to be treated. It's that simple. And it's good leadership. After all, it is clear that people don't work for a paycheck alone. Otherwise, few of us would be working for the military.

Another precept of management is *empowerment, teamwork, and The Army involvement*. Earlier, I mentioned trust, responsibility, accountability, and delegation. This precept covers all these. The theme of this conference involves teamwork, just as the Army Reserve is one of three members of The Army. And every organization in the Army above the most basic level is essentially a "team of teams."

The last two precepts of management are relevant to the Army's management control process. They are: measurement *and analysis*, and *continuous process improvement*. They are

the "value-added" of the management control process. Very simply, controls continuously are evaluated to ensure they are working as intended to produce continuous improvement in our systems and processes. These two precepts are deeply embedded in the Malcolm Baldrige Performance Criteria.

The Army concludes its discussion of its management philosophy by saying:

*"Leaders, commanders, and managers at all levels will implement the Army management philosophy through employing an organized, systemic approach toward continuous process improvement ensuring efficient stewardship of and accountability of resources."*

This sound like the Army's management control process.

Let me shift to the next word in the Army's management control process -- "controls." I know I am preaching to the choir. You all know that controls are the rules, procedures, techniques, and devices employed by managers to ensure that what should occur in daily operations does occur on a continuing basis. Controls, such as adequate documentation, segregation of duties, and proper authorization, are designed to "prevent" undesirable outcomes; are generally not noticeable because they are built into the system; and are more cost effective than the more obvious controls designed to "detect" undesirable outcomes, such as periodic inventories, and reconciliations. Controls are important, but too often they are misunderstood. Controls are not something extra. The essence of controls is quality assurance, that is, assuring that the programs and services that we offer to our customers, that is, our soldiers, our units, MSCs, FORSCOM, Department of the Army Headquarters, other major commands, other components, etc., are high quality and provided in such a way as to be effective, efficient, and free from waste, fraud, and abuse. I submit to you that: each one of us in this room is in the quality assurance business; and controls are, and must be, an integral part of all we do in fulfilling our day-to-day responsibilities. Controls are not merely policy manuals and forms. Controls are a process effected by people at every level of the organization.

In closing, your theme of "Managing Army Reserve Resources – Together" is right on. To be successful, we must use our resources as effectively and efficiently as possible. We must identify Army Reserve-wide systemic problems. More importantly, we must fix these problems when we find them. There are generally five reasons why we are not as successful as we should be. They are:

- 1 – We lack communication between individuals and organizations;
- 2 – There is a lack of trust between leaders and their subordinates;
- 3 – There are inefficient systems;
- 4 – There is confusion and distraction in times of change; and
- 5 – We behave reactively rather than proactively.

I truly believe, and I can assure you that our boss, General Plewes, also believes, that an effective, viable management control process can help us overcome these obstacles to success.

And, ladies and gentleman, that's where you come in. That's your job.

I want to leave you with a two pieces of advice. First, educate your bosses about what you can do for them. Many do not know the value-added that you bring to the organization. Educate them slowly, a little at a time. Don't give them a book full of last year's reports or a three-ring binder full of policies and regulations. Few busy commanders, balancing the demands of a family, a full-time job, and command in the Army Reserve will ever get around to reading all this background information. Instead, on a regular basis provide them updates, fact sheets, and executive summaries that both inform and educate. The education of your bosses is a task you

will never finish, because as soon as your commander's 2- or 3-year tenure is ended, he will be replaced by another whom you must likewise, gradually educate.

The second piece of advice is, write as if you are writing for your mother. Use clear, high school-level English. Use short declarative sentences. Avoid connecting long series of moderating clauses. Avoid technical language and jargon. A famous German philosopher once wrote, and I paraphrase, "Any thought that can be thought can be thought clearly. Any thought that can be thought clearly can be expressed clearly." Clear expression means simple English. Newspapers and popular magazines often write about complex matters, yet in such a way that any moderately intelligent adult can read and understand them. If your boss has to reread what you wrote or does not understand it the first time through, it's your fault, not his.

I hope you will be able to use these suggestions in the important work you are performing for the Army Reserve.

Thank you very much for your attention and the opportunity to open your conference. I hope, you, have a great, learning experience the next 2 days.

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*"I must say that I find television very educational. The minute somebody turns it on, I go to the library and read a book."*

- - Groucho Marx

## ***The Road to ISO 9002 Certification***

**By Mr. Michael Budarz, ISO Management Representative, and Mr. Gary Dissette, IR Auditor, CAAA**

Entering the world of the ISO 9000 international quality standard, known as "the standard", is very similar to driving down a super highway for the first time. You're not sure what you're getting into, but you know it's not fun! You experience a whirlwind of traffic coming from all directions and sometimes wonder how you're going to get to your destination! Meeting the demands of the standard is time consuming and requires a lot of effort.

ISO 9000 is a quality assurance standard designed to help ensure high quality products that meet customer expectations. The standard, while sometimes burdensome, is the basis for a quality system. The standard, which covers the life cycle of a product from procurement of raw materials to final delivery, establishes a process to document, monitor, report, and evaluate the effectiveness of the quality system.

One of the first steps the Crane Army Ammunition Activity (CAAA) took to qualify for ISO 9000 was to establish a Quality Council, the authoritative body that makes decisions affecting our quality system.

A major hurdle was updating the CAAA Quality Manual. The Total Quality Office, working with teams established to examine each of the twenty ISO 9000 elements, developed a new quality manual that reflected the standard and other quality requirements such as those



mandated by the Contractor Performance Certification Program (CP2). The team's effort helped to reduce the size of the quality manual by more than 100 pages.

Two small internal quality audit teams initially began to evaluate the quality system. These teams reported through the Total Quality Office and gave presentations to the Quality Council. The first internal quality audits focused on the standards for management responsibility, the quality reporting system, training, and the internal quality audit program itself.

The CAAA chose Perry Johnson, Inc. as our ISO 9000 Registrar. A preliminary review of CAAA's quality system by Perry Johnson auditors provided valuable insight into the strengths and weaknesses of our quality system.

The Quality Council then directed correction of non-conformances identified by the Perry Johnson auditors, including the preparation of additional quality internal audits (IQAs) and establishment of improved documentation and data control in several of our production areas. Some of the additional ISO elements covered in these IQAs were contract and procurement support, documentation control, inspections, and measurement and test equipment.

As local CAAA audit teams completed more internal quality audits, some operations seemed to mimic the traffic on the superhighway. A few operations had surpassed their speed limits, resulting in weak or missing core quality system requirements. The internal quality audit teams echoed the cry of the driver on the superhighway "How will I ever get to my destination? The traffic is so congested, and I don't know my way around this town - it's so easy to get lost!" The CAAA team found their way through the ISO superhighway maze and reached their destination - ISO 9002 registration!

When the Perry Johnson auditors returned the second time for the Certification audit, they were extremely impressed with the dramatic quality system improvements they saw. CAAA passed the audit, and in November 1998 Perry Johnson formally awarded our entire organization ISO 9002 certification. (Note: ISO 9002 is a specific form of ISO 9000. It's common to refer to the standard as ISO 9000 and the type of certification as either 9001, 9002, or 9003, depending on the kind of organization being certified.)

Now that CAAA is on the ISO superhighway we need to keep our bearing and plan for the next challenge ahead. The Certification audit identified a number of minor non-conformances, which were corrected before our first surveillance audit in June of 1999. The next surveillance audit is scheduled for January of 2000. This process of identifying and correcting problems within our quality system is demanded by the standard; our Perry Johnson auditors refer to this aspect of ISO 9000 as constantly "raising the bar" of the quality standard.

The ISO flag flying in front of Building 13 represents the efforts of numerous individuals who have worked diligently to make our certification a reality. Our newly acquired red and white ISO 9002 flags seen flying in all of our production and field operations areas tell those who visit CAAA that *every part of our organization is ISO 9002 certified*.

While the ISO 9000 certification process isn't a peaceful drive in the country, it's a wonderful learning experience that demonstrates what results can come from teamwork and tenacity.



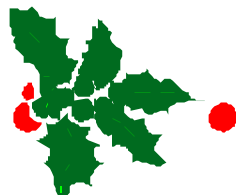
## Happy New Year!

*May we serve with  
distinction in 2000.*

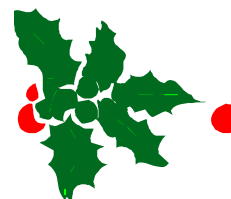


## The Next Edition of The IR Journal

Our next edition of *The IR Journal* will be published during March 2000. Articles and information for the March edition should be received on or before 10 March 2000. Input should be forwarded via e-mail whenever possible. Also, please use New Times Roman, 12 pt text.



## *The IR Journal*



is an unofficial newsletter for the Army Internal Review community published by the Office of the Deputy Assistant Secretary of the Army (Financial Operations). Its objective is to keep readers informed of issues that may affect or have affected the Army's Internal Review Program, the internal audit profession or auditing in the Federal government. *The IR Journal* will not be used to announce new or revised Army policy. It will however, often discuss new or changed policies subsequent to official announcement. Finally it will seek to entertain its readers.

The editorial staff would like to hear your comments or ideas on improving *The IR Journal*. We would also ask you to submit articles, questions, good news, lessons learned, innovative audit techniques employed, recommendations for training, or letters to the editor.

We ask DA Staff and MACOM Internal Review offices to provide us with information on promotions, awards, new assignments, births, marriages, etc. This is your publication, so please help us serve you better.

Please feel free to contact our editorial staff, **Bob Barnhart** and **Michelle Doyle**, at any time. They can be reached at DSN 225-2909, COMM (703) 695-2909/7693; FAX - DSN 223-1028, COMM (703) 693-1028; or e-mail [BARNHRW@hqda.army.mil](mailto:BARNHRW@hqda.army.mil) or [DOYLEM@hqda.army.mil](mailto:DOYLEM@hqda.army.mil). Comments or questions pertaining to the Management Control Corner can be directed to **Mike Petty** at DSN: 225-3225; COMM (703) 695-3225; or e-mail [PETTYTM@hqda.army.mil](mailto:PETTYTM@hqda.army.mil). Mike's FAX number is the same as shown above. *The IR Journal* is available and downloadable from the Internal Review Homepage at <http://www.asafm.army.mil> - (click on Internal Review).